

**Remarks by Cynthia A. Glassman
Under Secretary for Economic Affairs
U.S. Department of Commerce**

**at Tennessee Valley Corridor 2007 National Summit
May 30, 2007**

Thank you, Congressman Davis, for inviting me to join you today. It is great that you are thinking about ways this region can become more competitive. This is a diverse and growing area. You are attracting exciting new industries to the Tennessee Valley. The clustering of innovators, entrepreneurs, and academics that you have here has proven to be a key to success in other parts of the country.

And of course, I want to thank our moderator, Congressman Zack Wamp, whose vision resulted in the creation of the Corridor in 1995. I am so impressed with the commitment of the Tennessee Valley Congressional Delegation, as well as that of all of the public and private sector participants today. By being here today, you all are demonstrating your commitment to make this region a better place to live and work.

After my remarks, the panel will discuss science, technology, engineering, and math education – or STEM. In my travels and meetings the last eight months, I have heard from many CEOs that they need experts in math and science to stay competitive. Education, at all levels, is key, but it is a two-way street. Businesses and educators must work together to ensure we know what skills are needed and how best to train our students. Before the panel, I thought it might be helpful if I step back from the specific topic of education and speak a bit on broader issues of competitiveness and innovation to put the panel discussion in context.

I am pleased to see how optimistic you are about innovation and economic growth. Too often, much of what we read and hear focuses on problems such as high oil prices, subprime mortgage defaults, and the trade deficit -- while little attention is paid to the many positive things in our economy, like the low unemployment rate, the length and strength of the current recovery, low interest rates and inflation expectations, and the optimism inherent in the good performance of the stock market.

One of the most frequent and most perplexing negative themes I hear is the assertion that the U.S. economy is not competitive. Some people seem to believe that, in the “good old days” the U.S. economy led the world -- but now we are losing our edge. And they claim further that -- if we do not regain that edge -- we are doomed to declining standards of living.

This is simply wrong. The past decade has shown that the U.S. economy remains amazingly competitive. We continue to be the pacesetter for the world economy and will continue to be world leaders if we provide businesses with the freedom and opportunity to create new and valuable products and technologies.

Let me start with the basic picture of the U.S. economy. U.S. GDP growth has been quite strong, even if the most recent numbers appeared a bit weak. In fact, over the past five years, U.S. GDP

growth has been faster than most other industrialized nations. Further, our unemployment rate, at 4.5%, is lower than the average in each of the last four decades.

It is not simply that more Americans are working; we are working smarter. Productivity growth in the United States has been solid over the past decade. Policymakers in many other countries try to understand and explain just why their productivity growth has not been as strong, and why so many other countries did not have the boost to productivity growth that we have had. I can only conclude that, when it comes to applying new technologies -- and new organizational forms that make those technologies so valuable -- U.S. firms remain firmly in the forefront.

Some of the reasons for our strong productivity growth are not hard to find. Did you know that close to 40% of the U.S. population has an associates or bachelors degree? Only Canada, among major industrial countries, has a more educated population. Also, we should not lose sight of the fact that the United States remains one of the best places in the world to put new ideas to the test in business. The World Bank has been publishing a "Doing Business" survey for a few years now. The U.S. ranks third. (Yes, I have to admit that we are topped by New Zealand and Singapore in these rankings.) It is easy to start a business here, and we have the world's most flexible labor markets. I do not think many would disagree that providing an excellent environment for entrepreneurs is one of the keys to maintaining U.S. competitiveness.

But we should realize that the reasons for U.S. success are not a secret. Other countries can, and are, learning from our experience. I do not think we should have any objections to the idea that people the world over are learning the value of an educated workforce, free markets, and low taxes for economic growth. But that also means that, here in the United States, we need to continue to improve our competitive environment.

The Administration is not willing to wait for others to catch up to us. That is the reasoning behind the American Competitiveness Initiative. Just as a well-run business does not sit still, we intend to remain the pacesetter economy that unleashes scientific and entrepreneurial skill towards creating wealth and a higher standard of living.

The Competitiveness Initiative has three goals. First, we want to encourage more aggressive investment by businesses in research and development. One key to making that happen is to make the R&D tax credit permanent so that businesses know exactly what their tax status will be over a long-term planning horizon.

The second goal of the Competitiveness Initiative is to strengthen Federal support for basic research. Basic research is an important platform for business innovation that improves productivity and the standard of living. Take the iPod, which drew on years of government-funded research in micro-drive storage, electrochemistry, and signal compression. By definition, basic research cannot be commercialized. That makes funding such research an important role for the Federal government. The Administration has proposed doubling the Federal commitment to the most critical basic research programs in the physical sciences over the next 10 years. This will allow our scientists to explore promising areas such as nanotechnology, supercomputing, and alternative energy sources.

The third goal of the Competitiveness initiative is to improve science and math education. I have heard this need from CEOs and local officials around the country. We need to engage our boys and girls in the challenges of math and science so someday they will become engineers and inventors. We must have great teachers, too, so that students are hooked from an early age.

Immigration, and how we handle it, is another key to our competitiveness. We need immigrants at a variety of skill levels to keep our economy humming. The President feels that the Comprehensive Immigration bill now in Congress is the best approach. Border security is the first priority of the bill. Borders would be secured before other aspects of the bill are implemented. Then, the bill provides a lawful channel for workers to meet the needs of our economy.

The legislation also encourages a merit-based system of immigration in which extra points are awarded for education. In fact, under the proposed system, future immigrants applying for permanent residency will get priority based on their ability to speak English, level of education, math and science proficiency, or if they have a job in a high-demand field. Clearly, reform is needed. This approach seems to balance the need to strengthen border security and, at the same time, strengthen the competitiveness of our economy.

Turning to innovation, given the importance of innovation to our economy, it is quite amazing to realize how little we know about how much is going on. Over the years, we have developed an impressive set of indicators that tell us about the business cycle. But, when it comes to understanding how the long-term potential of the economy is doing – and the contribution of innovation – we have far too little information.

For that reason, the Secretary of Commerce has convened a committee of experts to think about better ways to measure innovation. It has the less-than-catchy title of the Measuring Innovation in the 21st Century Economy Advisory Committee. The 15-member panel consists of CEOs of a number of companies – including Microsoft, IBM, and UPS – among others. And we also have five outstanding academics. You can find the complete list of the members and other information on the Committee's website at www.innovationmetrics.gov.

The first meeting of the Advisory Committee was held in February, and the group has established a tight schedule that calls for them to present their recommendations to Secretary Gutierrez this fall. We believe that to implement good policies to foster innovation, we have to be able to measure it. I would welcome your input on how you know, encourage, and measure innovation in your own industries.

The American economy is remarkably diverse and resilient to the bumps in the road that invariably come along. Often, we can overcome these economic headwinds as we develop innovative ideas that make us more productive and competitive, and we have heard a number of those ideas here today. The Tennessee Valley Corridor Economic Summit is an important contributor to strengthening the regional and national economies. Thank you for including me and keep up the good work!